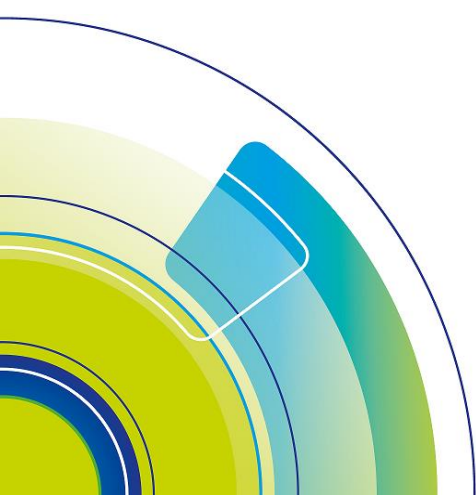




Update VCB – NEUTRAL

March 14, 2025



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Recommendation **NEUTRAL**

HOSE: VCB

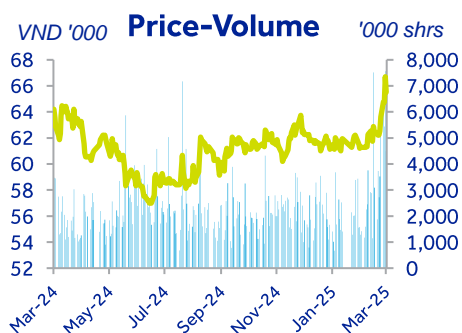
Banking

Current price (VND)	66,000
Target price (VND)	66,600
Expected share price return	+0.9%
Expected dividend yield	0.0%
Expected total return	+0.9%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	7.4	9.0	6.6	5.6
Relative	2.6	3.6	1.2	-3.5

Source: Bloomberg



Ownership

State Bank of Vietnam	74.8%
Mizuho Bank Ltd	15.0%
Others	10.2%

Stock Statistics

14-Mar-25

Bloomberg code	VCB VN
52-week range (VND)	56,856-68,600
No. of shares (m)	8,356
Mkt cap (VND bn)	547,298
Mkt cap (USD m)	21,312
Foreign room left (%)	7.2
Est. free float (%)	25.2
3m avg daily vol (shs)	2,492,539
VND/USD	25,680
Index: VNIndex / HNX	1326.27/241.31

BANK FOR FOREIGN TRADE OF VIETNAM (VCB)

We raise our 12-month target price by 2.2% to VND 66,600 per share and downgrade our recommendation from OUTPERFORM to NEUTRAL, as VCB's share price has increased by 14.6% since our last report. Our target price is based on target P/E and P/B multiples of 16.5x and 2.3x, respectively. 2025 profit is expected to grow at a slow pace of 5.4% due to the absence of banca upfront fee income and provisioning reversals for interbank loans.

VCB is one of the leading state-owned commercial banks in implementing Government and State Bank of Vietnam's directives to cut lending rates to support economic growth. This has led to a **14 bps y/y decline in NIM to 2.88% in 2024**, and we expect **NIM to remain at this low level in 2025**.

A conservative credit disbursement approach resulted **2024's credit growth of 13.9%**, lower than the industry average of 15.1%. However, this has helped VCB **maintain strong asset quality**, in contrast to the industry trend of deteriorating asset quality. NPL ratio and Special mentioned loan ratio were kept stable at 0.96% and 0.3%, respectively, by the end of 2024 – the lowest in the sector. The restructured loan ratio under Circular 02/2023 and 53/2024 was approximately 0%.

As both interest and non-interest income are affected by economic challenges, **VCB's 2024 PBT grew modestly by 2.4%**. For 2025, VCB continues to adopt a conservative outlook, targeting only 5% PBT growth. **We forecast 2025's PBT to reach VND 44,509 billion, up 5.4% y/y**. Slow profit growth due to the finished recognition of upfront fees from its exclusive banca agreement with FWD in 2024 and the lack of provisioning reversals from interbank loans as in previous years.

Our projection does not include VCB's planned private placement of 6.5% charter capital, as the outlook remains uncertain given the deal has been postponed since 2019. However, we believe the impact of the private placement would be insignificant, as the issuance price is likely to be close to market price. Additionally, VCB's CAR is currently well-balanced at 12.3%, and the bank has retained all its earnings since 2022, meaning there is no pressure to raise additional equity capital.

(VND bn)	2021	2022	2023	2024	2025F	2026F
Credit growth	15.1%	18.8%	10.7%	13.9%	14.9%	14.9%
NIM	3.18%	3.41%	3.02%	2.88%	2.88%	2.89%
NFI proportion	25.3%	21.8%	20.8%	19.2%	18.0%	16.3%
TOI growth	15.6%	20.0%	-0.5%	1.3%	11.2%	11.2%
CIR	31.0%	31.2%	32.4%	33.6%	31.7%	31.7%
Net credit costs	1.31%	0.90%	0.38%	0.24%	0.49%	0.55%
Profit before tax	27,389	37,368	41,244	42,236	44,509	48,054
growth	18.8%	36.4%	10.4%	2.4%	5.4%	8.0%
Profit attributable	19,537	27,673	29,742	31,233	32,991	35,687
Adjusted EPS (VND)	2,338	3,312	3,559	3,738	3,948	4,271
Adjusted BVPS (VND)	13,049	16,223	19,737	23,799	27,748	32,019
Adjusted ROA	1.4%	1.7%	1.6%	1.6%	1.5%	1.4%
Adjusted ROE	19.2%	22.6%	19.8%	17.2%	15.3%	14.3%
CAR (Basel 2)	9.5%	10.0%	11.4%	12.3%	12.7%	12.9%
P/E	19.1	13.7	15.1	16.3	16.6	15.3
P/B	3.4	2.8	2.7	2.6	2.4	2.0
DPS (VND)	1,200	1,200	-	-	-	-
Dividend yield	1.8%	1.8%	0.0%	0.0%	0.0%	0.0%

VCB has officially taken over Construction Bank

VCB has officially taken over Construction Bank under compulsory transfer, with an ownership ratio of 100%. In fact, VCB has been supporting Construction Bank's restructuring for several years in terms of capital, personnel, and technology. However, the formal takeover marks a turning point in the restructuring process of this weak bank.

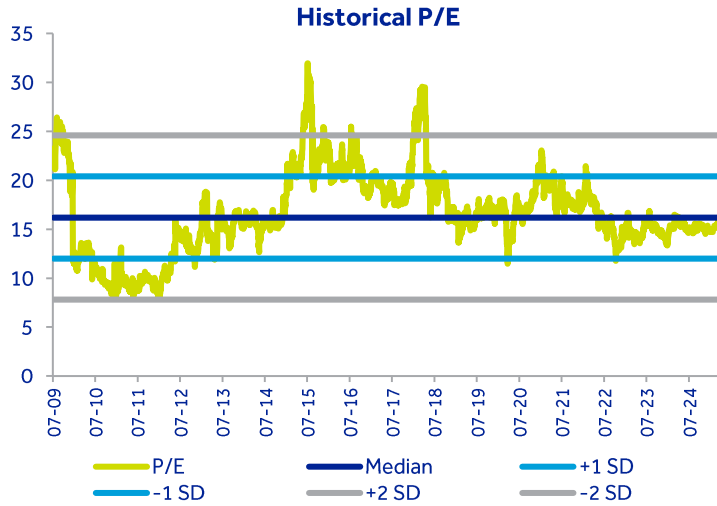
Following the acquisition, Construction Bank has been transformed into a digital bank and rebranded as VCBNeo. We believe that shifting from a traditional bank to a digital bank will enable VCBNeo to rapidly expand operations, reduce operating costs, and optimize procedures, thereby accelerating restructuring process and enhancing its valuation should VCB decide to divest it in the future.



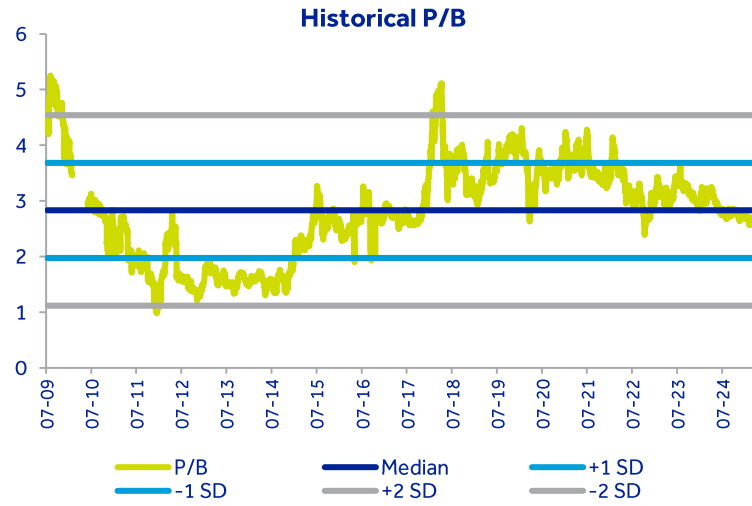
With the taking over of a weak bank, **VCB will benefit from several regulatory and operational incentives**, including:

- A 50% reduction in required reserve ratios;
- Access to SBV refinancing loans at 0% interest, up to the amount VCB lends to VCBNeo;
- Exemption from consolidating VCBNeo into VCB's financial statements, and exemption VCBNeo when calculating consolidated CAR;
- Exclusion of credit exposures to VCBNeo when calculating regulatory lending limits.

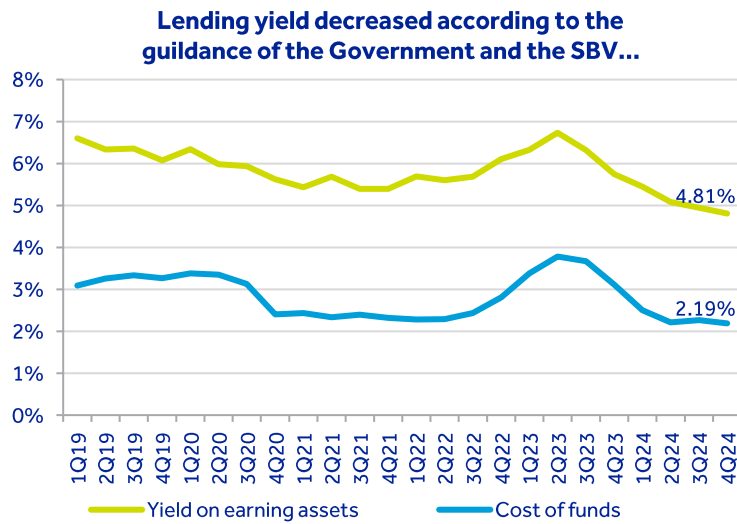
Additionally, **VCB has been granted a higher credit growth quota of approximately 16-17% per year, higher than peers**. However, we believe VCB may not fully utilize this credit quota as the bank remains cautious in expanding credit to maintain its strong asset quality.



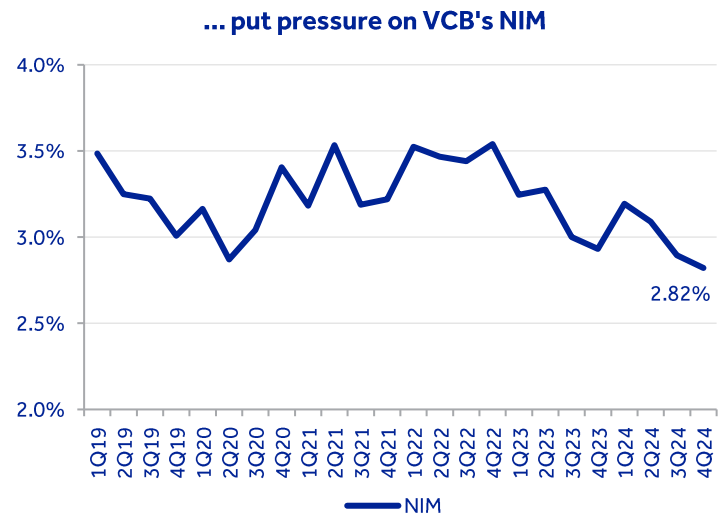
Source: FiinPro-X, ACBS



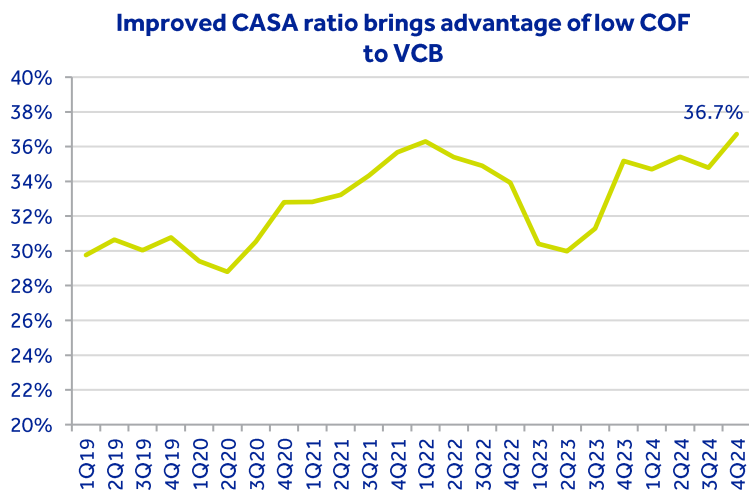
Source: FiinPro-X, ACBS



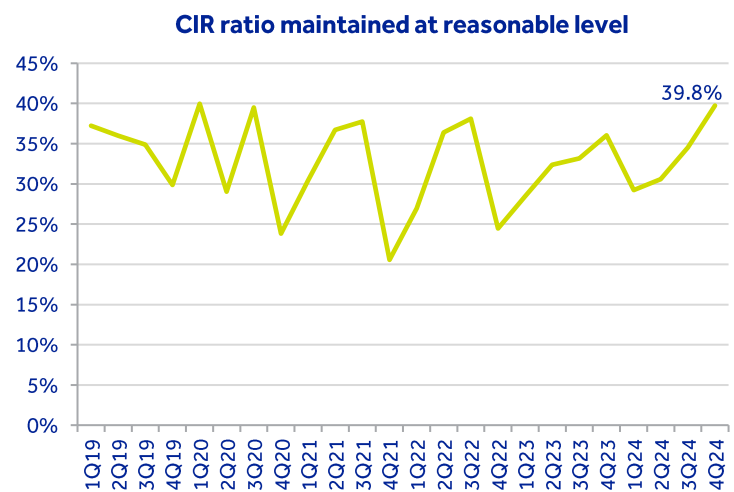
Source: VCB, ACBS



Source: VCB, ACBS

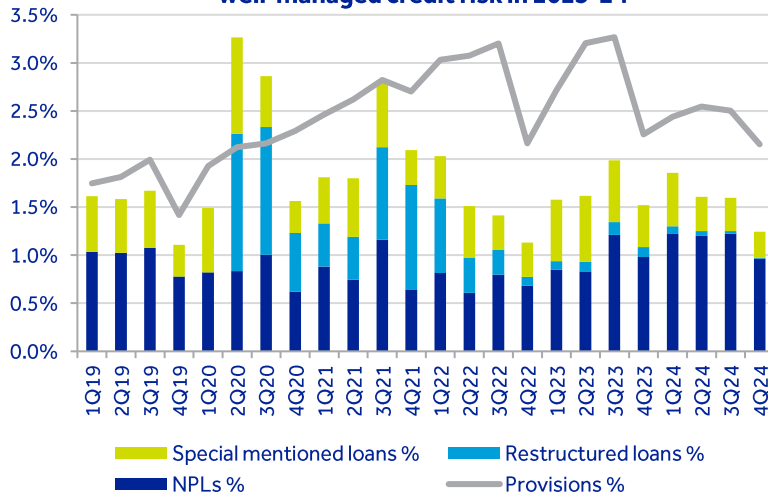


Source: VCB, ACBS



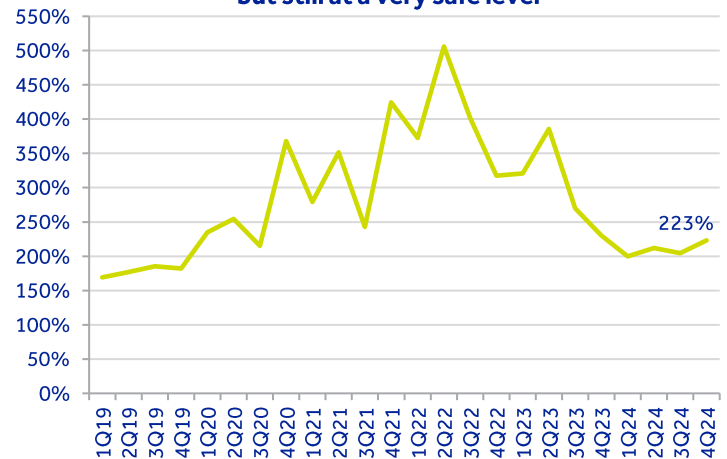
Source: VCB, ACBS

Asset quality maintained at a healthy level thanks to well-managed credit risk in 2023-24



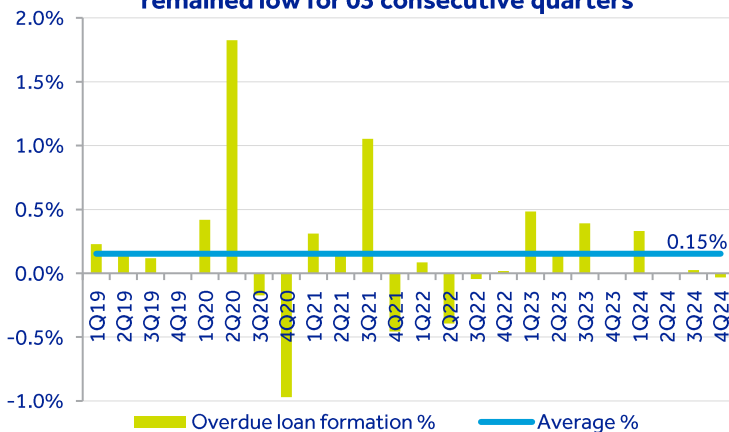
Source: VCB, ACBS

NPL coverage ratio was no longer too abundant but still at a very safe level



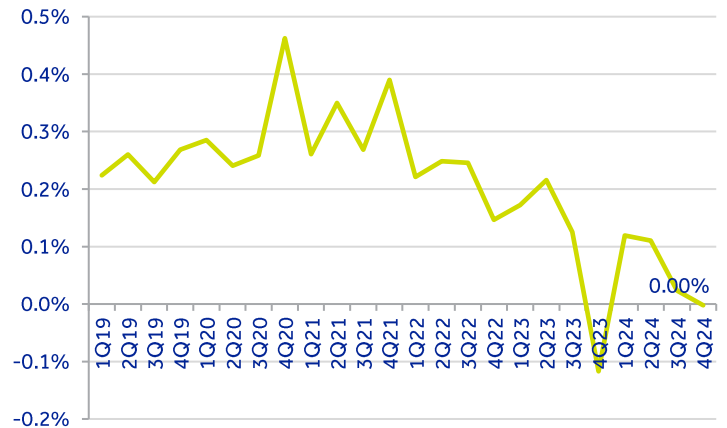
Source: VCB, ACBS

Overdue loan formation (incl restructured loan) remained low for 03 consecutive quarters



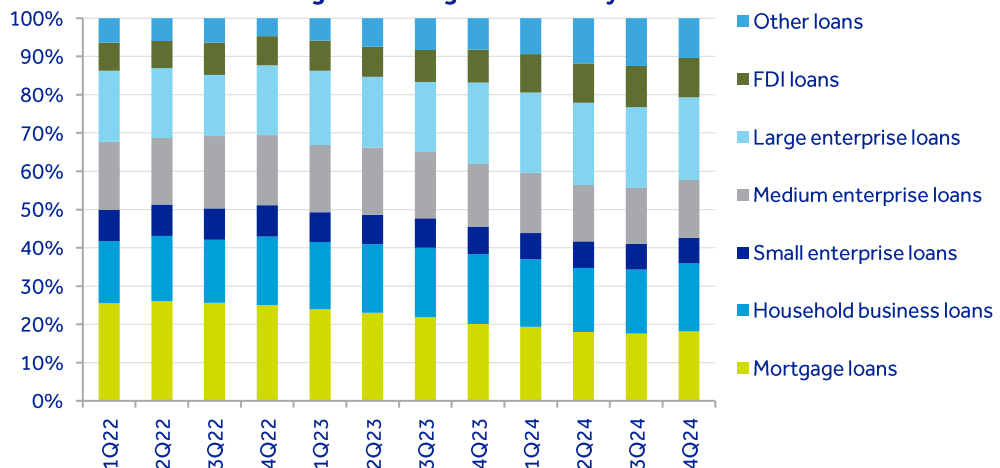
Source: VCB, ACBS

Credit costs dropped sharply



Source: VCB, ACBS

Lending structure shifted to wholesale but retail lending showed signs of recovery



Source: VCB, ACBS

BANK'S FINANCIAL RATIOS

(Unit: VND billion)

Ticker	Exchange	Mkt cap 12-03-25	Equity 4Q24	Total Assets 4Q24	NPL ratio 4Q24	Special mentioned loan 4Q24	NPL coverage 4Q24	CAR (Basel 2) 31-12-23	ROA (TTM)	ROE (TTM)	P/E	P/B
BID	HOSE	287,174	2,760,693	144,512	1.4%	1.7%	133.7%	8.6%	1.0%	19.2%	11.5	2.1
CTG	HOSE	229,030	2,385,388	148,505	1.2%	1.4%	174.7%	9.3%	1.2%	18.6%	9.0	1.6
VCB	HOSE	557,325	2,085,397	198,956	1.0%	0.3%	223.3%	11.4%	1.7%	18.6%	16.5	2.8
MBB	HOSE	150,116	1,128,801	117,060	1.6%	1.6%	92.3%	10.8%	2.2%	22.1%	6.6	1.3
TCB	HOSE	196,756	978,799	147,940	1.1%	0.7%	113.9%	14.4%	2.4%	15.6%	9.1	1.4
VPB	HOSE	155,505	923,848	147,275	4.2%	6.5%	56.2%	17.1%	1.8%	11.4%	9.9	1.1
ACB	HOSE	117,473	864,006	83,462	1.5%	0.5%	77.9%	12.5%	2.1%	21.8%	7.0	1.4
STB	HOSE	74,937	748,095	54,972	2.4%	0.8%	68.4%	9.1%	1.4%	20.0%	7.4	1.4
SHB	HOSE	40,571	747,244	57,850	2.6%	0.9%	65.1%	12.2%	1.3%	17.1%	4.4	0.7
HDB	HOSE	82,658	697,281	56,658	1.9%	4.8%	68.7%	12.6%	2.0%	25.8%	6.5	1.5
LPB	HOSE	105,451	508,330	43,338	1.6%	1.0%	83.3%	12.2%	2.2%	25.1%	10.9	2.4
VIB	HOSE	61,072	493,158	41,862	3.5%	3.4%	50.1%	11.7%	1.6%	18.1%	8.5	1.5
TPB	HOSE	42,668	418,028	37,596	1.5%	1.8%	81.3%	12.4%	1.6%	17.3%	7.0	1.1
SSB	HOSE	56,473	325,699	35,003	1.9%	0.7%	82.9%	13.6%	1.6%	14.8%	11.7	1.6
MSB	HOSE	30,290	320,177	36,818	2.7%	1.3%	64.4%	12.8%	1.9%	16.2%	5.5	0.8
OCB	HOSE	27,617	280,712	31,672	3.2%	2.4%	47.1%	13.3%	1.2%	10.5%	8.7	0.9
NAB	HOSE	23,277	245,129	19,289	2.3%	1.5%	52.8%	11.2%	1.6%	20.9%	6.5	1.2
EIB	HOSE	39,024	239,768	25,099	2.5%	1.1%	42.3%	13.4%	1.5%	14.0%	11.7	1.6
ABB	UPCoM	8,255	176,742	14,049	3.7%	1.6%	45.5%	11.0%	0.4%	4.4%	13.5	0.6
BAB	HNX	11,496	165,487	11,782	1.2%	0.4%	97.4%	0.0%	0.6%	8.9%	11.4	1.0
VBB	UPCoM	6,830	162,856	8,701	2.7%	0.9%	46.0%	10.4%	0.6%	11.6%	7.3	0.8
VAB	UPCoM	5,467	119,832	8,866	1.3%	0.5%	72.5%	9.3%	0.8%	10.4%	6.2	0.6
NVB	HNX	13,508	118,499	6,093	19.5%	2.2%	8.6%	9.2%	-	-	-	2.2
BVB	UPCoM	7,849	103,536	6,155	3.1%	1.4%	45.2%	11.3%	0.3%	5.2%	-	1.3
KLB	UPCoM	4,502	92,176	6,605	1.9%	1.2%	83.7%	9.7%	1.0%	14.4%	5.1	0.7
PGB	UPCoM	6,489	73,211	5,163	2.6%	1.5%	40.5%	12.0%	0.5%	6.7%	-	1.3
SGB	UPCoM	4,481	33,260	4,090	2.7%	5.1%	36.3%	17.7%	0.2%	1.9%	-	1.1
Average		86,900	636,894	55,532	2.8%	1.7%	76.1%	11.5%	1.3%	15.0%	8.8	1.3
Median		40,571	325,699	36,818	2.3%	1.4%	68.4%	11.7%	1.5%	15.9%	8.5	1.3

Source: FiinPro-X, ACBS

(Unit: VND billion, unless otherwise stated)	Market price (VND):	66,000	Target price (VND):	66,600	Market cap (VND bn):	551,476
	2021	2022	2023	2024	2025F	2026F
INCOME ITEMS						
Net interest income	42,400	53,246	53,621	55,406	62,565	71,019
Net fee & commission income	7,407	6,839	5,780	5,137	3,952	2,590
Other non-interest income	6,917	7,997	8,323	8,036	9,768	11,218
Total operating income	56,724	68,083	67,723	68,578	76,285	84,827
Growth (%)	15.6%	20.0%	-0.5%	1.3%	11.2%	11.2%
Operating expenses	(17,574)	(21,251)	(21,915)	(23,027)	(24,179)	(26,886)
Profit before provision & tax	39,149	46,832	45,809	45,551	52,106	57,941
Provision for credit losses	(11,761)	(9,464)	(4,565)	(3,315)	(7,598)	(9,887)
Profit before tax	27,389	37,368	41,244	42,236	44,509	48,054
Profit after tax after minority interests	18.8%	36.4%	10.4%	2.4%	5.4%	8.0%
Profit attributable to shareholders	21,919	29,899	33,033	33,831	35,652	38,491
Growth (%)	19,537	27,673	29,742	31,233	32,991	35,687
Adjusted EPS (VND)	2,338	3,312	3,559	3,738	3,948	4,271
BALANCE SHEET ITEMS	2021	2022	2023	2024	2025F	2026F
Outstanding loans & corporate bonds	973,179	1,156,494	1,280,733	1,458,377	1,675,760	1,925,751
Growth (%)	15.1%	18.8%	10.7%	13.9%	14.9%	14.9%
Customer deposit	1,135,324	1,243,468	1,395,698	1,514,665	1,696,425	1,933,924
Growth (%)	10.0%	9.5%	12.2%	8.5%	12.0%	14.0%
Total assets	1,414,673	1,813,815	1,839,613	2,085,397	2,351,043	2,683,425
Shareholder's equity	109,030	135,558	164,919	198,860	231,851	267,538
BVPS (VND)	13,049	16,223	19,737	23,799	27,748	32,019
KEY RATIOS	2021	2022	2023	2024	2025F	2026F
NPL (%)	0.6%	0.7%	1.0%	1.0%	1.0%	1.0%
NPL coverage (%)	424%	317%	230%	223%	204%	186%
NIM (%)	3.2%	3.4%	3.0%	2.9%	2.9%	2.9%
CIR (%)	31.0%	31.2%	32.4%	33.6%	31.7%	31.7%
ROA (%)	1.4%	1.7%	1.6%	1.6%	1.5%	1.4%
ROE (%)	19.2%	22.6%	19.8%	17.2%	15.3%	14.3%
CAR Basel 2 (%)	9.5%	10.0%	11.4%	12.3%	12.7%	12.9%
P/E (x)	19.1	13.7	15.1	16.3	16.6	15.3
P/B (x)	3.4	2.8	2.7	2.6	2.4	2.0
Dividend yield (%)	1.8%	1.8%	0.0%	0.0%	0.0%	0.0%

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DISCLAIMER

Our Recommendation System

BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
UNDERPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%.
SELL	: total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower.

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